H.R. 2646 -- THE FARM SECURITY AND RURAL INVESTMENT ACT

Talking Points:

- ✓ H.R. 2646 fully complies with the Congressional Budget Resolution.
- ✓ H.R. 2646 stems the tide of unbudgeted *ad hoc* assistance that has been required year after year, including over $30 billion over the last 4 years.
- ✓ H.R. 2646 avoids an otherwise certain all-out election year bidding war for unprecedented levels of unbudgeted ad hoc spending.
- ✓ H.R. 2646 – the product of 50 hearings over 2 years -- was approved by the Agriculture Committee by a unanimous voice vote and passed the House with an overwhelming, bipartisan 291-120 vote.
- ✓ H.R. 2646 fully maintains the market-oriented features of the 1996 Farm Bill, having minimal impact on price and production according to economic analysis.
- ✓ H.R. 2646 fully maintains the planting flexibility of the 1996 Farm Bill.
- ✓ H.R. 2646 provides for the largest investment in conservation ever – fully 80% above the levels of the Boehlert conservation amendment to the 1996 Farm Bill.
- ✓ H.R. 2646 fully complies with U.S. trade obligations.
- ✓ H.R. 2646 is regionally balanced, being the first farm bill in recent memory to avoid an all-out war over federal dairy policy, and to significantly address the needs of America's fruit and vegetable farmers.
- ✓ H.R. 2646 is critically needed now, with U.S. farmers facing—
  - The lowest real net cash income on the farm since the Great Depression.
  - The 5th straight year of record low prices.
  - Record high costs of production.
  - Foreign tariffs averaging 62%, compared to an average U.S. tariff of 12%.
  - Foreign subsidies 9 times greater than help to U.S. farmers -- $342 per acre for EU farmers, compared to $43 per acre for U.S. farmers.
  - Another prohibitive trade barrier -- the strength of the U.S. dollar, which is 25% greater than the currency of U.S. customers, and 40% greater than the currency of U.S. competitors.
- ✓ H.R. 2646 replaces the 1996 Farm Bill that is set to expire on September 30 of this year. Failure to pass H.R. 2646 would result in reversion to the 1938 and 1949 permanent laws, the estimated cost of which is astronomical.

COMMODITY PROGRAM -- 3-Piece Safety Net:

Marketing Loan Provisions: The new farm bill will continue the current marketing loan program at increased loan rates for all crops except soybeans. All production would be eligible for the marketing loan.

- The $5.26/bu soybean loan rate was set deliberately high in the '96 farm bill to compensate for the fact that soybean growers did not receive AMTA payments. The new farm bill brings soybeans into the 3-piece program with other commodities, and lowers the loan rate to $5.00/bu, a level that is considered to be equitable to the loan rates for other commodities.

- Sorghum is a feed grain that trades on the same market as corn, but has a lower loan rate that has resulted in decreased plantings of this crop. The new bill raises the sorghum loan rate to a level equivalent to corn.

Direct Decoupled Payments: Amount of the direct, decoupled payment will be equal to the product of the payment rate, the payment acres, and the payment yield. A producer could elect to receive up to 50% of the direct payment beginning December 1 of the year prior to the year the crop is harvested, and the balance of the direct payment in October of the year the crop is harvested.

Counter-Cyclical Payments: Counter-cyclical payments will be made whenever the effective price for a covered commodity is less than the target price. The effective price is equal to the sum of **(1)** the **higher** of the national average market price during the 12-month marketing year for the commodity or the national average loan rate, **and (2)** the payment rate for direct decoupled payments for the commodity. The payment rate for counter-cyclical payments is equal to the difference between the target price and the effective price for the commodity. The payment amount for counter-cyclical payments is the product of the payment rate, the payment acres, and the payment yield. If for example, market prices are above target prices (as they would have been in 1996), the producer would not receive a payment and there would be no government expenditures.

For counter-cyclical payments, a producer can receive up to 35% of the projected payment in October of the year the crop is harvested; an additional 35% beginning in February of the following year; and the balance after the end of the 12-month marketing year for the specific crop.

Loan Rates, Direct Payment Rates and Target Prices

		Loan Rates			Direct Rates		Target Prices		
					2002	**2002**			
Crop	$/Unit	Current	**2002 Farm Bill**		AMTA	**Farm Bill**	1995	**2002 Farm Bill**	
			(2002-2003)	(2004-2007)				(2002-2003)	(2004-2007)
Wheat	Bu.	2.58	**2.80**	**2.75**	0.46	**0.52**	4.00	**3.86**	**3.92**
Corn	Bu.	1.89	**1.98**	**1.95**	0.26	**0.28**	2.75	**2.60**	**2.63**
Sorghum	Bu.	1.71	**1.98**	**1.95**	0.31	**0.35**	2.61	**2.54**	**2.57**
Barley	Bu.	1.65	**1.88**	**1.85**	0.19	**0.24**	2.36	**2.21**	**2.24**
Oats	Bu.	1.21	**1.35**	**1.33**	0.02	**0.024**	1.45	**1.40**	**1.44**
Up. Cotton	Lb.	0.5192	**0.5200**	**0.5200**	0.0554	**0.0667**	0.7290	**0.7240**	**0.7240**
Rice	Cwt.	6.50	**6.50**	**6.50**	2.05	**2.35**	10.71	**10.50**	**10.50**
Soybeans	Bu.	5.26	**5.00**	**5.00**	NONE	**0.44**	NONE	**5.80**	**5.80**
Minor Oilseeds	Lb.	0.093	**0.096**	**0.093**	NONE	**0.0080**	NONE	**0.0980**	**0.1010**

OTHER DETAILS

Base Update: Allows producers to retain their current AMTA base acres and add oilseed acres in a limited manner, or to update base acres using 1998-2001 acres planted and prevented planted to all covered commodities.

Updated Payment yield: Allows producers who choose to update base acreage to the average of 1998-2001 plantings, the option to update yields for counter-cyclical payments only. The producer may choose to update using 70% of the difference between current AMTA yields and a full yield update based on 1998-2001 yields on planted acreage **OR** 93.5% of 1998-2001 yields on planted acreage. Provides a "plug" of 75% of the county average yield for years in which the actual farm yield is less than the county average yield. The yield choice is applicable to all covered commodities on the farm.

Soybeans and other Oilseeds Payment Yield before update: Payment yields for a farm are established by determining the average yield from 1998 through 2001, excluding years where the acreage planted to the crop was zero. Provides a "plug" of 75% of the county average yield for years in which the actual farm yield is less than the county average yield. The 4-year average is then reduced (approximately 22%) to reflect the yields between 1981-1985 and 1998-2001. The reduction is required to provide a yield equivalent to the other covered commodities for which their yield was established between 1981-1985.

Payment limits Relative to current law, the new farm bill continues the limit on direct payments at $40,000; Adds a $65,000 limit on the newly formed counter-cyclical payments; Reduces limit on LDPs and MLGs from $150,000 to $75,000; Contains a separate payment limitation for the peanut program; Retains current rules on—spouses, 3-entities, and actively engaged requirement. Adopts a $2.5 million adjusted gross income cap on eligibility for participation in farm programs; Retains the use of generic certificates in the loan program. The total dollar limitation is reduced from $460,000 in current law to $360,000 in the new farm bill.

- The new farm bill also creates a new commission to study and make recommendations regarding farm program payment limitations and the impact of payment limit policy changes on farm income, land values and agribusiness infrastructure.

PLEASE SEE NEXT PAGE FOR EXAMPLE STORY PROBLEMS

EXAMPLE STORY PROBLEMS

Scenario # 1

Farmer AC has 500 acres of tillable land on his farm, all of which are corn base. In year 2002 he plants all of those acres to corn. Let's assume that the market average price for the year is $2.15/bu, his actual yield is 137.1 bu/acre and his FSA program yield is 102.6 bu/acre. It is also important to remember that his payment acres are 85% of his base acres. Under The Farm Security and Investment Act of 2002, what would his gross returns be this year?

Answer:
First, lets figure his **market return**:
500 acres harvested **x** 137.1 bushels **x** $2.15 = **$147,382** Farmer AC would earn from the market place.

Second, lets figure his **direct decoupled payment**: Remember, AC only gets paid on 85% of his base acres. The formula used is payment acres **x** program yield **x** fixed payment rate. Plugging in the numbers, you get 425 acres **x** 102.6 **x** $.28 = **$12,209** Farmer AC will get in the form of fixed decoupled payments.

Third, lets figure AC's **counter-cyclical payment**. The counter-cyclical payment is triggered since the effective price is less than the 2002-03 corn's target price of $2.60. Again, AC only gets paid on 85% of his base acres. This is a bit more complicated. The formula used is: payment acres **x** program yield **x** calculated payment rate. How do we figure the payment rate? The payment rate is figured by taking the market average price of $2.15 (since this is higher than the loan rate of $1.98) and adding the fixed payment rate of $.28 which gives you $2.43. Subtract that from the target price of $2.60 and you get a $.17 calculated payment rate. Now lets put this all together: 425 acres x 102.6 x $.17 = **$7,412** Farmer AC will get in the form of counter-cyclical assistance.

Scenario #2

This time lets assume that Farmer AC still plants 500 acres of corn base, has an average harvested yield of 137.1 bu/acre but the market average price is $2.98/bu. Under the new farm bill, what would his gross returns be now?

Answer:
Market return:
500 acres x 137.1 x $2.98 = **$204,279** Farmer AC would get from the market place.

Fixed decoupled payment. AC's fixed decoupled payment would stay the same.

Counter-cyclical payment: Since the market average price of $2.98 is above the target price of $2.60, no counter-cyclical payment would be triggered. It is important to understand that the market average price could be a bit below the target price and still not trigger a payment. That is because the effective price has to be higher. For instance, if the market average price was $2.50, and you add the $.28 fixed payment rate which makes the effective price $2.78, which is above the target price.

OTHER COMMODITIES

Peanuts: The new 2002 farm bill recognizes changes occurring in the peanut market and makes a historic market-oriented change to the peanut program that will help protect our domestic peanut industry for the future. In addition to the increased political pressure, the program is now facing increased burdens from imports as tariff protections decline under NAFTA and GATT. The new bill makes the peanut program similar to the program of other program crops.

- The new 2002 farm bill terminates the marketing quota program and compensates the quota holders for the loss of the quota asset value at $0.11 per pound per year for five years. This equates to a $220 per ton payment for each of the years 2002-06.
- The new 2002 farm bill provides a marketing loan at $355 per ton. In addition producers with peanut base would receive a direct decoupled payment at $36 per ton and counter cyclical program with a target price of $495 per ton
- Peanut acres and payment yields will be based upon actual production history along with actual planted and prevented planted acres for the period 1998 through 2001.
- The new 2002 farm bill protects quota owners as well as improving the safety net for other peanut producers. In addition, producers will no longer have to be out $200-$240 to lease quota. For example, a peanut producer with 50 acres producing 1 ton of quota peanuts per acre under the current program and having an identical base and yield under the new program would compare as follows:

<u>Current program</u>: $610 per ton

<u>New program</u>: (assumes market price = loan rate)

Loan/Market Return:	Loan rate of $355 X 50 acres X 1 ton per acre =	$17,750
	$495 target - $355 marketing loan - $36 direct payment = $104	
CC Payment:	$104 X 50 acres X 1 ton X 85% =	$4,420
Direct Payment:	$36 X 50 acres X 1 ton X 85% =	+<u>$1,530</u>
		$23,700

$23,700 divided by 50 tons = $474 plus $220 per ton quota buyout = **$694 per ton**

Dairy: The Farm Security and Rural Investment Act of 2002 balances interests of dairy producers from all regions of the country and has been endorsed by majority of organizations representing dairy producers and processors.

- The new farm bill establishes new 3 1/2 year National Dairy Program to provide assistance to all U.S. producers. The program will provide a federal payment each month equal to 45 percent of the difference between $16.94 and the Boston Class I price. Payments are made on up to 2.4 million pounds of current monthly production for a producer annually.
- The bill extends the milk price support program at $9.90 per cwt. through 2011 providing a continuation of the safety net program that has served dairy producers for more than 50 years.

- The bill assists dairy exports through the Dairy Export Incentive Program (DEIP). This program is used to help U.S. dairy products meet competition from subsidizing countries, especially the European Union. Products eligible for DEIP are whole milk powder, nonfat dry milk, butterfat and cheese.

- The bill continues the highly successful Fluid Milk Processor Promotion and Education Program and provides authority for the separate Dairy Promotion and Research Program to enable the Dairy Board to assess importers of dairy products in the same manner as domestic producers.

Pulse Crops: The new farm bill, for the first time, establishes marketing loans and loan deficiency payments for small chickpeas, lentils and dry peas at the following loan rates:

Small Chickpeas		**Lentils**		**Dry Peas**	
2002-2003 **$/cwt**	**2004-2007** **$/cwt**	**2002-2003** **$/cwt**	**2004-2007** **$/cwt**	**2002-2003** **$/cwt**	**2004-2007** **$/cwt**
$7.56	**$7.43**	**$11.94**	**$11.72**	**$6.33**	**$6.22**

Sugar: Sugar producers have not been immune to the problem of low prices. Wholesale-refined sugar prices have been running at, or near, 22-year lows for most of the past two years. The main culprit for these low prices is oversupply, caused by increased imports from Canada and Mexico and increased domestic production. The new farm bill addresses these problems in two ways:

- Reduces the burden on producers by lowering CCC interest rates on price support loans and eliminates the marketing assessment on sugar.

- Reestablishes the no-net-cost feature of the program by authorizing a Payment-in-Kind Program and marketing allotments.

- Eliminates the one-cent a pound loan forfeiture penalty and gives authority to the Secretary to establish quota allotments.

Honey: To aid honey producers and provide them with a safety net in times of poor market conditions, the new farm bill creates a marketing assistance loan program similar to that of other program commodities.

- Provides producers with price support loans or loan deficiency payments with a loan rate of $0.60 per pound.

Wool and Mohair: The wool and mohair industry has suffered from a depressed fiber market. The new farm bill establishes a marketing assistance loan program for wool and mohair similar to that traditionally provided for program commodities.

- Provides marketing loans or loan deficiency payments based on a loan rate of $1.00 per pound for graded wool, $.40 per pound for non-graded wool, $4.20 per pound for mohair and $.40 per pound for unshorn pelts.

Fruits and Vegetables: The new 2002 farm bill helps ensure economic stability within the specialty crop sector by retaining the prohibition on planting fruits and vegetables on contract acres, helping with international trade via providing technical assistance to combat trade barriers as well as increasing funding for the Market Access Program, and significantly increasing funding for conservation programs utilized by the fruit and vegetable industry, including targeted spending for water conservation assistance. It also helps provide greater protection to our farmers by streamlining the Animal Plant Health Inspection Service's ability to respond to plant and animal pest and disease emergencies.

- **Apples**: Provides assistance for apple producers who have suffered low market prices.

- **Protection from Domestic Competition:** Retains the planting restriction on fruits and vegetables on program crop acres.

- **Specialty Crop Purchases:** Increases carryover-spending authority for Section 32 commodity purchases. Directs additional commodity purchases by requiring not less than $200 million of Section 32 funds per year to be used to purchase fruits and vegetables and other specialty food crops. At least $50 million of that amount is to be used for fresh fruits and vegetables for schools through the DoD Fresh Program.

- **Market Access Program:** Increases the Market Access Program (MAP) from $90 million to $200 million per year by 2006. This program aids in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products and is very important to the fruit and vegetable industry.

- **Technical Assistance Specialty Crop (TASC):** Creates a Technical Assistance Specialty Crop (TASC) fund ($19 million over 10 years) to address the barriers to exports that U.S. producers of specialty crops face. The purpose of TASC is to provide direct assistance through public and private sector projects to facilitate increased exports of U.S. specialty crops within the global marketplace.

- **Conservation Programs:** Increases conservation funding by 80 percent overall with significant increases going to EQIP, the Conservation Reserve Program (CRP), the Wetlands Reserve Program (WRP), the Wildlife Habitat Incentives Program (WHIP) and the Farmland Protection Program (FPP). In addition, the new farm bill includes increased funding in EQIP to address ground water conservation issues, including cost share for more efficient irrigation systems.

- **Seniors Farmers' Farmers Market Nutrition Program:** Provides $15 million per year for the Seniors Farmers' Market Program—a program administered through States that provides vouchers, or coupons to seniors to purchase fresh fruits and vegetables at farmers markets.

- **Fruit and Vegetable Pilot Program:** The Secretary of Agriculture is required to establish a one-year pilot program to make fresh and dried fruits and vegetables available in 25 schools in 4 states. Funding is authorized up to $6 million for the purchase of fresh and dried fruits and vegetables.

- **Nutrition Information and Awareness Pilot Program:** The Secretary is authorized to set up a cost-share pilot program aimed at increasing the domestic consumption of fresh fruits and vegetables and conveying related health promotion messages.

CONSERVATION

- The next farm bill not only brings predictability to federal farm policy but also greatly expands and improves our soil and water conservation programs. As conservation programs have become popular with farmers, they also have become important to taxpayers. The bill responds to the demand for increased protection of our soil, air, water, and wildlife. While the 2002 farm bill builds on the current voluntary incentive programs that have proven to work, farmers and ranchers will have the opportunity to participate in new conservation programs.

- The federal investment in soil and water conservation programs is increased by more than 80 percent above current program levels. This will provide producers with more options to implement progressive conservation practices on their land, with the backing of increased technical assistance to producers using government or private contractors.

- The farm bill makes needed changes to the CRP and EQIP programs to make them more usable and accessible to all producers in all regions of the country. Current conservation programs were enhanced to ensure they meet the needs of producers of livestock, row crops, and fruits and vegetables. Additionally, the bill responds to producers who expressed a great desire for a Grasslands Reserve Program to provide producers with incentive payments for managed grazing. Producers also have the option of participating in the new Conservation Security Program.

Conservation Reserve Program (CRP) would be reauthorized through 2007. This program has proven popular with producers wishing to voluntarily set aside environmentally sensitive land. The CRP has saved soil and, thus, has helped improve water quality by keeping sediment out of our streams and waterways. It has been a boon to wildlife, especially upland game birds, by retiring large blocks of land in the Great Plains states.

- Increases enrollment cap from 36.4 million acres to 39.2 million acres. Permits harvesting of biomass for energy on CRP acreage with a reduction in rental rate. Retains priority areas.
- Expands wetlands pilot to 1 million acres with all states eligible.
- Makes land on which surface or groundwater is conserved eligible for enrollment.
- Makes land currently enrolled in the CRP eligible for re-enrollment.
- Requires the Secretary to conduct a rulemaking to achieve a balance of conservation interests in soil erosion, water quality and wildlife habitat in determining the acceptability of contract offers.

Environmental Quality Incentives Program (EQIP) is reauthorized through 2007. This program has been a popular program among producers and has been tremendously over-subscribed by a ratio of 5 to1, lacking sufficient funding to meet producer needs. Many producers expressed great interest in expanding this program that will provide them with cost-share and incentive payments to perform multiple land management practices and promote the enhancement of soil, water, air and other resources. Priority areas that have arbitrarily directed funding to producers in one region and excluded producers in another have been eliminated, as EQIP is a national program intended for all producers. Furthermore, this program will assist producers in complying with government regulations.

- Program level is phased up from $200 million annually to reach $1.3 billion annually, an increase of more than 6-fold, with livestock producers receiving 60% of annual funding, and crop producers receiving the other 40%.
- The water conservation program provides a total of $600 million for cost-share incentives and assistance for efforts to conserve ground and surface water. Of this amount, $50 million is reserved specifically to assist producers in the Klamath Basin.
- Provides explicit authority for the Secretary to implement an incentives payment program for producers of annual and perennial crops, such as tree nuts or fruits.
- Places an emphasis on residue, nutrient, pest, invasive species, and air quality management.
- Addresses the concerns of smaller producers and socially disadvantaged producers, and allows EQIP contracts to be from 1 to 10 years in length with producers receiving payment the same year in which they sign the contract.

Wetlands Reserve Program (WRP) is reauthorized through 2007 and provides producers with payments for wetland easements as well as with cost-share payments to implement plans to restore an area to the original wetland condition.

- Increases the enrollment cap from a total of 1,075,000 million acres to 2.275 million acres.

Wildlife Habitat Incentives Program (WHIP) is reauthorized through 2007. WHIP is the primary mechanism to provide technical assistance and cost-share payments to establish and improve fish and wildlife habitat primarily found on private lands. Since 1996, approximately $62.5 million has been spent through this program to provide cost-share payments on 1.6 million acres. The Committee has provided WHIP with a much needed funding increase as the previous funds were exhausted after the first few years of the 1996 Farm Bill.

- The new funding total of $700 million is greater than a 10-fold increase over the amount committed to the program since the last farm bill.

Farmland Protection Program (FPP) is reauthorized through 2007. This program has been popular as it protects valuable agricultural lands and green space from the threat of urban sprawl. Since 1996, this program has provided $53.4 million to protect 108,000 acres.

- The new funding total of $985 million is nearly a 20-fold increase over the amount committed to this program since the last farm bill.
- Makes agricultural land that contains historic or archeological resources eligible.

Grassland Reserve Program authorizes up to 2 million acres of virgin and improved pastureland to be enrolled. The program encourages common grazing practices done in various regions of the country or for a particular type of livestock operation which may include rotational grazing. The program will also help to enhance wildlife habitat and prevent tracts of land from being subdivided for development.

- This bill provides $254 million in total funding for this program.
- Provides 1 million acres to native grass and 1 million acres devoted to restored grasslands.
- The program would be divided 40/60 between agreements of 10, 15, or 20-years and agreements and easements for 30-years and permanent easements.

Small Watershed Dam Restoration is funded at $275 million. More than 10,000 small flood prevention dams have provided conservation and economic benefits to much of rural America and are in need of rehabilitation. The bill provides essential funding for the rehabilitation of aging small watershed impoundments that have been constructed over the past 50 years.

Conservation Security Program is a new national incentive payment program that rewards producers for maintaining and increasing farm and ranch stewardship practices. The farm bill invests $2 billion for this program.

Underserved States: This program was started in the Agricultural Risk Protection Act of 2000 and is continued with a total funding level of $50 million.

Desert Terminal Lakes: The bill provides $200 million in funding to help conserve desert terminal lakes. These funds cannot be used for the purchase or lease of water rights.

Protection of Private Information: Provides producers participating in conservation programs with protection against the release of confidential information by the agency.

RURAL DEVELOPMENT AND VALUE-ADDED AGRICULTURE

- The Farm Security and Rural Investment Act of 2002 makes significant investments in, and improvements to our rural development programs. These programs are important to sustaining rural communities by investing in programs that will aid in the development of rural infrastructure and create jobs in rural areas.

- **Broadband service** for rural areas has been a great concern to many individuals living in rural America. This bill includes a total of $100 million to provide loans and loan guarantees to allow rural consumers to receive high-speed, high-quality broadband services.

- The farm bill provides $80 million for rural residents in unserved or underserved areas to access their local television stations.

- **Value Added Market Development Grants** have been expanded to meet producers' interests in start-up farmer-owned value added processing facilities while establishing resource centers to assist producers in value-added endeavors. Knowing the importance of enabling producers to capture more of the value of their commodities, the farm bill significantly increases this program.

    - Increases value-added funding from a total of $15 million to $40 million per fiscal year through 2007.

- Increases participation in the program by allowing broader standards of eligibility so agricultural producer groups and business ventures largely owned by producers can compete for grants designed to develop value-added products or markets.
- Encourages grants to be used to assist in the development of agricultural-based renewable energy sources.

- **Drinking Water Assistance Grants** - Of annual appropriations made for the water and waste disposal grant program, three to five percent will be directed to address the ongoing needs of rural communities that may have difficulty providing safe and adequate quantities of drinking water to their residents.

- The farm bill provides $360 million to fund pending applications for water and waste disposal system grants and loans, with priority to water systems.

- Increases the current loan limit from $25 million to $40 million for the Business and Industry lending program for projects in rural areas. Over the years, the needs for debt capital in small cities and rural communities have expanded, and inflation has eroded the purchasing power of the current loan limit of $25 million, thus the need to increase this amount to $40 million.

- **Rural Strategic Investment Program** provides planning and innovation grants of up to $3 million to assist certified Regional Investment Boards, develop and implement a rural strategic and economic development plan for a particular rural area. Regional Boards will be certified and regional plans will be approved by the National Board on Rural America. The bill provides $100 million, which will be used for planning and innovation grants.

- **Rural Business Investment Program** provides $280 million in guarantees for rural business investment companies to provide equity investments for businesses in rural areas.

- **Rural Firefighters and Emergency Personnel Grant Program** will provide $50 million in grants to train rural firefighters and emergency personnel and improve training facilities.

TRADE & EXPORT PROMOTION

- The new farm bill recognizes how critically important trade is to our producers. Forty percent of U.S. commodities go into the export market, and in order to sustain profitability for our producers this market must be expanded.

- The entire substitute is designed to comport with the US's international trade obligations under the WTO, and thereby to promote more free and fair trade for the future.

- Title III makes substantial investments in programs designed to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products and to share America's bounty with the needy in developing countries.

Market Access Program: The bill increases funding for the Market Access Program (MAP) by $650 million over ten years for the promotion of value added agricultural products in international markets. Currently funded at $90 million, MAP will be increased to $100 million in FY2002, $110 million in FY2003, $125 million in FY2004, $140 million in FY2005 and $200 million for fiscal years FY2006-2007.

Food Aid: The bill spends $308 million over ten years on the Food for Progress Program. Funding caps for transportation and administrative caps are increased and a minimum level of commodities to be purchased for food aid programs is established.

Food For Peace Program: The bill also reauthorizes the Food for Peace Program (P.L. 480) and makes program improvements relating to transportation, shipping and handling of U.S. agricultural commodities to developing countries and streamlined program management. The minimum amount of commodities to be purchased for this food aid program is increased and funds for stockpiling and distribution of shelf-stable pre-packaged foods for food aid is reauthorized. The farmer-to-farmer program, with an additional focus on African and Caribbean countries, is reauthorized.

Foreign Market Development Program: The bill funds the Foreign Market Development Program (FMD) at $67 million over ten years. FMD funding is increased from $27.5 million per year to $34.5 million per year. A continued significant emphasis on the promotion of value added agricultural products into emerging markets is also included in the substitute.

McGovern-Dole International Food for Education and Child Nutrition Program: The bill provides $100 million mandatory money to continue the pilot program through FY 2003. After 2003, the program is reauthorized through FY 2007. The substitute vests authority in the President to determine which agency (USDA or USAID) administers and runs the program.

RESEARCH

- Research is the key to keeping U.S. producers competitive in the world market. Through technology, producers can realize new production efficiencies, minimize their production risks, and ensure a safer, higher quality, and more affordable final product. The Farm Security and Rural Investment Act of 2002 recognizes the critical need for research and makes a significant new investment in research programs that will help reap rewards for producers and society for many years to come.

The Initiative for Future Agriculture and Food Systems (IFAFS): This initiative established in the Agricultural Research, Extension, and Education Reauthorization Act of 1997 was funded at $120 million per year through 2003 as a mandatory program. The initiative is designed to promote on-the-ground solutions for American producers and consumers. Further, it addresses critical issues, such as, plant and animal genomics, food safety, biobased products, and natural resources management.

- The Farm Security and Rural Investment Act of 2002 extends the Initiative beyond its current sunset date of 2003 and incrementally increases mandatory funding for the Initiative to $200 million annually by FY2007. Permanent budgetary baseline is established for this program at the $200 million per year for each fiscal year 2007, and beyond.

FORESTRY

- The new farm bill establishes and acknowledges forestry as a viable mainstay of communities across the United States. As our nation's public lands become more and more difficult to access for their products as well as recreational values, there is a growing dependence on private, non-industrial forest landowners to provide these necessary commodities demanded by a growing population.

- In 1996, timber products were the second highest valued agricultural crop in the United States. The Forestry Title strengthens the commitment of Congress to sustainable forest management practices.

- The farm bill creates a new **Forest Land Enhancement Program (FLEP)** by combining the existing Forestry Incentives Program and Stewardship Incentives Program.

    - Funding for the **FLEP** provides $100 million for the establishment, management, maintenance, enhancement, and restoration of forests on non-industrial private forest lands in the United States.

The forestry title reauthorizes the **Renewable Resources Extension Act** through 2007 at $30 million annually and creates a **Sustainable Forestry Outreach Initiative** within the RREA to educate landowners on the value and benefits of practicing sustainable forestry practices, and to educate landowners about the variety of programs available to them. The farm bill also reauthorizes the International Forestry Program through 2007 and reaffirms the importance of the **McIntire-Stennis Cooperative Forestry Act**, which authorizes the Secretary of Agriculture to encourage and assist the states in carrying out programs of forestry research. The Act also establishes a competitive forestry, natural resources and environmental grant program for research into a variety of forest-related concerns, including biodiversity.

The forestry title provides enhanced **community fire protection** by directing the Secretary to coordinate with local communities in implementing rural fire protection and control strategies. This section also creates a **Community and Private Land Fire Assistance Program** enabling the Secretary to undertake a variety of activities aimed at preventing fires on both federal and non-federal lands.

ENERGY

Recognizing that agricultural producers are both contributors and stakeholders in the energy security debate, The Farm Security and Rural Investment Act of 2002 is the first farm bill containing a separate title devoted to Energy. The bill also includes provisions to promote renewable energy in the Research, Rural Development and Conservation Titles.

- **Continuation of the Bioenergy Program**: The bill provides $204,000,000 to carry on the Bioenergy Program during fiscal years 2003-2006, which will enable the Secretary to continue making payments to bioenergy producers who purchase agricultural commodities for the purpose of expanding production of biodiesel and fuel grade ethanol.

- **Biorefinery Development Grants**: The bill authorizes the Secretary to operate a grant program to assist biorefineries in demonstrating the commercial viability of new and emerging processes for converting biomass into fuels, chemicals, or energy.

- **Biodiesel Fuel Education**: The bill provides $1,000,000 annually in each fiscal year 2003-2007 to carry out a new competitive grant program for the purpose of educating governmental and private entities, as well as the public in general, about the benefits of using biodiesel.

- **Biomass Research and Development**: The bill reauthorizes the *Biomass Research and Development Act of 2000* through fiscal year 2007 and provides $5,000,000 for fiscal year 2002, and 14,000,000 annually for each of fiscal years 2003-2007 for such research.

- **Federal Procurement of Biobased Products**: The bill creates a new program whereby Federal agencies give preference to purchasing biobased products, which should help energize emerging markets for these products. The section also includes a voluntary biobased-labeling program. The bill provides $1,000,000 annually for each of fiscal years 2002-2007 for testing biobased products.

- **Energy Audits**: The bill authorizes the Secretary to operate a grant program to assist entities in conducting energy audits that provide farmers and ranchers with recommendations on how to improve energy efficiency.

- **Renewable Energy Systems and Energy Efficiency Improvements**: The bill provides $23,000,000 annually in each of fiscal years 2003-2007, to carry out a loan, loan guarantee and grant program to assist individual farmers, ranchers and rural small businesses in purchasing renewable energy systems and making energy efficiency improvements.

- **Loans and Loan Guarantees for Renewable Energy:** The bill expands the Secretary's existing authority to make loans and loan guarantees for the purpose of reducing reliance on nonrenewable energy resources by specifically encouraging the development and construction of wind energy systems and anaerobic digesters.

- **Value Added Agricultural Market Development Grants:** The bill expands the definition of value added agricultural products to enable the Secretary to consider grant applications for projects focusing on renewable energy, such as wind power.

- **Wind Turbines on Conservation Reserve Program Lands:** Many of the areas identified by the Department of Energy to have the greatest wind energy potential have significant acreage enrolled in the Conservation Reserve Program. The bill authorizes the Secretary to permit wind turbines to be placed on Conservation Reserve Program lands for the purpose of generating energy.

- **Biomass Derived from Conservation Reserve Program Lands:** The bill authorizes the Secretary to expand the allowance for harvesting biomass from Conservation Reserve Program lands for use in energy production.

- **Hydrogen and Fuel Cell Technologies**: The bill directs the Secretaries of Agriculture and Energy to enter into a memorandum of understanding regarding hydrogen and fuel cell technology applications for agricultural producers and rural communities.

- **Cooperative Research and Extension (Carbon Sequestration)**: The bill reauthorizes the Carbon Cycle Research Program through fiscal year 2007. Additionally, the bill amends the existing program by adding new sections on cooperative research and extension projects for measuring and monitoring changes in carbon content in soils and plants and the exchange of other greenhouse gases.

NUTRITION

- Total spending for Nutrition Programs equals $6.4 billion.

- The food stamp program seeks to ensure access to an adequate diet and the fruits of a productive agricultural economy to all eligible Americans. The new farm bill includes a number of changes to simplify the program, give states greater flexibility, remove unnecessary barriers to participation, and increase assistance to working families. In addition, it commits much-needed funds to private community-based assistance programs.

- The nutrition title maintains the critical link between agriculture and nutrition programs and makes important structural improvements to the food stamp program.

Additional Funding for the Food Stamp Program

- **Standard Deduction:** The standard deduction is increased to establish standard deductions based on household size. The new standard deduction equals 8.35% of each year's poverty guidelines and is adjusted each year.

- **Transitional Food Stamps:** Permits states to provide "transitional food stamp benefits" to households who cease to receive Temporary Assistance for Needy Families (TANF) cash assistance as part of welfare. Households could receive transitional benefits for up to 5 months after termination of cash assistance. Currently, transitional benefits are only provided for 3 months after leaving TANF cash assistance.

- **Partial Restoration of Benefits to Legal Immigrants:** Reinstates benefits for legal immigrants who have lived in the United States for at least 5 years. Also restores benefits for legal immigrant children (under 18 years of age) and disabled individuals without minimum residency requirements.

Simplification of the Food Stamp Program

- **Reduction of State Reporting Requirements:** Allows states to require households to report changes in household circumstances not less often than once every 6 months in lieu of reporting changes as they occur.

- **Child Support Deduction vs. Exclusion:** Allows state option to exclude rather than deduct child support payment and allows the use of Child Support Enforcement agency data to determine the amount of support paid.

- **Freezing Deductions:** A state option allows states to elect to disregard most types of changes in household circumstances that affect the amount of deductions households may claim until the next determination of eligibility.

- **Simplified Utility Allowance:** Allows states choosing to make standard utility allowances mandatory.

- **Employment and Training Savings:** Extends the requirement for unmatched federal funding for employment and training programs. Sets the basic amount of unmatched federal funding at $90 million per year. Current law is set at $165 million per year. Eliminates the requirement to use at least 80% of unmatched federal spending on Able Bodied Adults without Dependents (ABAWDS).

- **Simplification of Administrative Services:** Allows grants to eligible entities to simplify the food stamp application and eligibility determination system and to improve access to food stamp benefits for eligible individuals and families.

- **Simplified Definition of Income:** Adds new income exclusions such as education assistance, state complementary assistance program payments and at state option, any types of income that a state does not consider when determining eligibility for the amount of cash assistance under its TANF program or eligibility for medical assistance under its Medicaid program.

- **Simplified Definition of Resources:** Requires the Secretary to promulgate regulations under which a state also may exclude any types of financial resources that it does not consider when determining eligibility for cash assistance under its TANF program or medical assistance under its Medicaid program.

Commodity Programs

- **The Emergency Food Assistance Program:** Add $40 million per year to TEFAP. This program provides food to food banks and soup kitchens across the United States.

- **Community Food Projects:** Grants to community food projects are increased to $5 million per year. This program provides one-time funding for projects aimed at innovative ways to link sectors of the food system, such as community markets.

- **Commodity Supplemental Food Program:** Reauthorize the Commodity Supplemental Food Program and the program to distribute commodities to special nutrition projects.

- **Commodities for the School Lunch Program:** Provides $100 million for additional commodities for school lunch programs.

- **Grants for Encouragement of the Purchase of Locally Produced Food:** The Secretary is required to provide grants to states administering the school lunch and breakfast programs to purchase locally produced foods to the maximum extent possible.

- **Nutrition Information and Awareness Pilot Program:** The Secretary is authorized to set up a cost-share pilot program aimed at increasing the domestic consumption of fresh fruits and vegetables.

MISCELLANEOUS

Country of Origin Labeling: For meat, fruits & vegetables, fish and peanuts. Requires the Secretary to provide guidelines for voluntary labeling by September 30, 2002. This program would become mandatory in two years. For a commodity to be labeled USA product, it must be born, raised and processed in the United States. Commodities that are ingredients in processed products would not fall under the labeling requirement.

Animal Health Protection Act: Current authority for animal health is scattered throughout several statutes, some dating back to the 1880's, and contain outdated descriptors and definitions that no longer apply due to scientific advances and industry changes. The Farm Security and Rural Investment Act of 2002 consolidates animal health programs under a new "Animal Health Protection Act" in order to fill gaps in existing laws, clarify the areas of uncertainty, standardize USDA's responsibility and authority, and enhance the Secretary of Agriculture's ability to carry out the mission of the USDA-Animal Plant Health Inspection Service (APHIS). This would allow APHIS to deal expeditiously with critical and emerging animal disease outbreaks that may threaten the health and economic viability of the $107 billion U.S. animal agriculture industry.

- Animal Health provisions in the new farm bill will protect animal agriculture by clarifying the Secretary of Agriculture's authority to deal with potential outbreaks and allow her to deal with them in the most expeditious manner possible.

- The Animal Health Protection Act designates the Department of Agriculture as the lead Federal agency when responding to pests and diseases of livestock, poultry and aquaculture.

- Civil and criminal penalties under the Animal Health Protection Act, as well as the Plant Protection Act of 2000 are augmented to strengthen the ability of the USDA to deter commercial scale violations, as well as provide the flexibility to deal with repeat violators.

Animal Welfare: The Farm Security and Rural Investment Act of 2002 addresses animal welfare issues such as the handling of non-ambulatory livestock, humane slaughter and interstate shipment of fighting birds. The Act further clarifies Congressional intent regarding regulation of certain animals used in biomedical research under the Animal Welfare Act.

Pasteurization: The FSRIA of 2002 clarifies the Food and Drug Administration approval process for claims of pasteurization. The FDA is directed to revise as appropriate its existing regulation covering the labeling of foods. For products that are irradiated in order to improve the food safety and food quality, the Act authorizes individuals to seek FDA approval of an alternative-labeling claim. Likewise, the Act authorizes the Secretary of Agriculture to develop educational programs to inform consumers about the availability and safety of irradiated food products.